

State of Arizona  
House of Representatives  
Forty-ninth Legislature  
First Regular Session  
2009

# **HOUSE BILL 2146**

AN ACT

AMENDING SECTIONS 20-357, 20-359 AND 20-371, ARIZONA REVISED STATUTES;  
RELATING TO INSURANCE RATES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 20-357, Arizona Revised Statutes, is amended to  
3 read:

4       20-357. Filing of rating system: definition

5       A. Every insurer shall file with the director the rating systems the  
6 insurer proposes to use. As used in the rate regulatory provisions of this  
7 article, "rating systems" includes every manual of classifications, rules and  
8 rates, every rating plan and every modification of any of the foregoing.  
9 Every filing shall have a proposed effective date and shall indicate the  
10 character and extent of the coverage contemplated. If a filing does not  
11 include the information on which the insurer supports the filing, and the  
12 director does not have sufficient information to determine whether the filing  
13 meets the rate regulatory requirements of this article, the director shall  
14 require the insurer to furnish information supporting the filing. The  
15 supporting information may include the experience or judgment of the insurer  
16 or rating organization making the filing, its interpretation of any  
17 statistical data on which it relies, the experience of other insurers or  
18 rating organizations or any other relevant factors. A filing and any  
19 supporting information shall be open to public inspection after the filing  
20 becomes effective.

21       B. A workers' compensation insurer shall satisfy its obligation to  
22 make filings by becoming a member of a licensed rating organization that  
23 makes filings and by authorizing the director to accept on its behalf filings  
24 made by the rating organization. A rating organization shall annually file  
25 with the director rates to be effective on ~~October~~ JANUARY 1. Nothing in  
26 this subsection requires an insurer to be a member of the designated rating  
27 organization.

28       C. Each filing shall be on file for a waiting period of at least  
29 thirty days before it becomes effective. On written application by the  
30 insurer or rating organization making the filing, the director may authorize  
31 a filing to become effective before the waiting period expires.

32       D. On written application of the insured that states the insured's  
33 reasons and that is filed with and approved by the director, an insurer may  
34 use a rate in excess of the insurer's filed rate on the insured's risk.

35       E. An insurer shall not make or issue a contract or policy except in  
36 accordance with the filings in effect for that insurer as provided in the  
37 rate regulatory provisions of this article.

38       Sec. 2. Section 20-359, Arizona Revised Statutes, is amended to read:  
39       20-359. Deviations from filed workers' compensation rates

40       A. Every insurer shall adhere to the filings made by the rating  
41 organization of which it is a member, except that any member insurer may file  
42 with the director:

43           1. A uniform percentage decrease or increase to be applied to the  
44 statewide rate portion of the rating organization's rate filing.

1        2. A subclassification rate related rule that deviates from the rules  
2 or schedule rating plan filed by the insurer's rating organization. An  
3 insurer shall not apply a deviation and a schedule rating plan within the  
4 same insurance company.

5        B. Each deviation filed shall be on file with the director for a  
6 waiting period of at least thirty days before it becomes effective. On  
7 written application by the insurer making the filing, the director may  
8 authorize a filing to become effective before the waiting period expires. A  
9 deviation that is filed pursuant to subsection A, paragraph 1 of this section  
10 and that is not disapproved by the director expires the following ~~September~~  
11 30 DECEMBER 31 at midnight in this state unless the director terminates the  
12 deviation sooner. A deviation that is filed pursuant to subsection A,  
13 paragraph 2 of this section continues until the insurer withdraws the  
14 deviation or the director determines that the deviation no longer meets the  
15 standards prescribed in section 20-356, paragraph 1. At any time the  
16 director may require an insurer to actuarially support a deviation. The  
17 insurer that files the deviation shall simultaneously send a copy of the  
18 filing to the rating organization of which it is a member and to any  
19 designated rating organization.

20      C. A rating organization shall notify the director if the organization  
21 disapproves any deviation relating to workers' compensation insurance. The  
22 director shall notify the industrial commission of the disapproval within ten  
23 days of receipt of the disapproval from the rating organization.

24      Sec. 3. Section 20-371, Arizona Revised Statutes, is amended to read:  
25      20-371. Rate administration

26      A. The director shall promulgate reasonable rules and statistical  
27 plans that are reasonably adapted to each of the rating systems on file with  
28 the director and that may be modified from time to time. An insurer shall  
29 use the rules and statistical plans to record and report its loss and  
30 countrywide expense experience in order that the experience of all insurers  
31 may be made available, at least annually, in sufficient form and detail to  
32 aid the director in determining whether rating systems comply with the  
33 standards set forth in this article. The rules and plans may also provide  
34 for the recording and reporting of expense experience items which are  
35 especially applicable to this state and are not susceptible of determination  
36 by prorating of countrywide expense experience.

37      B. In promulgating the rules and plans, the director shall give due  
38 consideration to the rating systems on file with the director, and, in order  
39 that the rules and plans may be as uniform as is practicable among the  
40 several states, to the rules and to the form of plans used for comparable  
41 rating systems in other states.

42      C. An insurer is not required to record or report its loss experience  
43 on a classification basis that is inconsistent with the uniform  
44 classification plan.

1       D. The director may designate an organization the director deems  
2 qualified, other than an insurer that has outstanding obligations under a  
3 policy of workers' compensation insurance in this state, to act as the  
4 director's statistical agent. The statistical agent shall assist the  
5 director in gathering and compiling workers' compensation experience and  
6 performing other related services as the director may specify. The  
7 compilations shall be made available subject to reasonable rules adopted by  
8 the director, to insurers and rating organizations, but no insurer shall be  
9 required to file its experience with an organization of which it is not a  
10 member.

11     E. Every insurer shall report its loss and expense experience to the  
12 rating organization of which it is a member. The rating organization shall  
13 report the insurer's experience to the designated statistical agent. If the  
14 rating organization is unable to report the experience of its member insurers  
15 to the designated statistical agent, every insurer that is a member of the  
16 rating organization shall directly report its experience to the designated  
17 statistical agent.

18     F. If there is more than one licensed rating organization that meets  
19 the requirements of section 20-363, subsection E, the director shall  
20 designate one of the organizations as the designated rating organization for  
21 the purpose of annually making and filing with the director statewide  
22 workers' compensation insurance rates that become effective on ~~October 1~~  
23 JANUARY 1.

24     G. The designated rating organization shall annually file its rate  
25 filing with the director on or before August 1 for rates that become  
26 effective on ~~October 1~~ JANUARY 1. The director shall disapprove the filing  
27 if it does not meet the standards of section 20-356, paragraph 1. An insurer  
28 transacting workers' compensation insurance in this state shall adhere to the  
29 expected loss ratios, ballast factors and other experience rating factors and  
30 to the statewide rates and other rating values made by the designated rating  
31 organization for the uniform rate filing, except that an insurer may deviate  
32 from the statewide rate portion of the uniform rate filing according to  
33 section 20-359, subsection A.

34     H. The director may allow the designated statistical agent and  
35 designated rating organization to charge licensed rating organizations that  
36 operate in this state a reasonable fee for their services. The licensed  
37 rating organizations shall pay the fees on a ratable basis.

38     I. To further the uniform administration of rate regulatory laws, the  
39 director and every insurer and rating organization may exchange information  
40 and experience data with insurance supervisory officials, insurers and rating  
41 organizations in other states and may consult with them with respect to rate  
42 making and the application of rating systems.

1       J. If more than one rating organization meets the requirements of  
2 section 20-363, subsection E, the director shall designate the statistical  
3 plan, classification plan or experience rating plan adopted by the designated  
4 rating organization or any other rating organization, or the plans of another  
5 state, as the uniform statistical plan, the uniform classification plan or  
6 the uniform experience rating plan.

7       K. If the director does not designate a uniform statistical plan, a  
8 uniform classification plan or a uniform experience rating plan pursuant to  
9 this section, each insurer shall adhere to the statistical plan,  
10 classification plan, and experience rating plan adopted by the rating  
11 organization of which the insurer is a member in this state.